

MINUTES OF ROANOKE CITY AUDIT COMMITTEE

October 7, 2004

1. CALL TO ORDER:

The meeting of the Roanoke City Audit Committee was called to order at 11:10 a.m. on Thursday, October 7, 2004, with Chair, Dr. M. Rupert Cutler, presiding.

- **The roll was called by Mrs. England**

Audit Committee

Members Present: Dr. M. Rupert Cutler, Chair
Vice-Mayor Beverly T. Fitzpatrick, Jr.
Brenda L. McDaniel
Sherman P. Lea (arrived late)

Others Present: Drew Harmon, Municipal Auditor
George C. Snead, Jr., Asst. City Manager for Operations
Rolanda B. Russell, Asst. City Manager for Community Development
Evelyn W. Powers, City Treasurer
Jesse Hall, Director of Finance
Ann Shawver, Deputy Director of Finance
Timothy Spencer, Assistant City Attorney
Sherman Stovall, Director of Management & Budget
Frank Baratta, Budget Team Leader
Mike Tuck, Assistant Municipal Auditor
Pamela Mosdell, Information Systems Auditor
Brian Garber, Senior Auditor
Cheryl Ramsey, Auditor
Doris England, Administrative Assistant

2. INTERNAL AUDIT REPORTS:

- A. Purchasing Cards
- B. Southeast by Design

Dr. Cutler ordered that internal audits A and B be received and filed. There were no objections from the committee. Dr. Cutler recognized Mr. Harmon for comments on the Purchasing Cards audit.

Mr. Harmon reported that the purchasing card program was in its fourth year of implementation and had been audited each year. The process has matured, benefits have been realized, such as reduced paperwork; and this audit was to test for more detail. It was noted that receipts oftentimes did not include notations explaining the business purpose requiring the purchase. Supervisors

need to know what the purchases are for and who is making them. Ms. McDaniel asked if the credit card receipt copy were lost, could the store receipt be used to verify purchase; and Mr. Harmon replied that it could. Ms. McDaniel also asked if a receipt were lost and the employee contacted the store for a copy, was it possible to obtain a receipt copy from a store such as Wal-Mart. Mr. Harmon replied that it was; actually, calls were made to stores such as Wal-Mart and Target and that determination was made during the audit. The stores did not indicate a charge for performing these services.

Dr. Cutler asked Mr. Harmon to introduce the members of the Municipal Auditing Staff, and Mr. Harmon introduced Cheryl Ramsey, Mike Tuck, Pam Mosdell, Brian Garber, and Doris England. Ms. McDaniel commented on how well-written the audit reports were, and she appreciated the ease of understanding and lack of jargon.

Dr. Cutler asked if the consequences of not adhering to the guidelines of use would actually be the loss of the privilege of using the purchasing card. Mr. Harmon replied that it would. Mr. Hall explained that although Finance is the gatekeeper for expending the funds, each department head or designee is responsible for verifying the expenditure before it gets to the Finance Department. He said procurement would provide more training, Finance would scrutinize more, and continue to fine tune the program. Ms. McDaniel asked if the lost privilege would be permanent, and Mr. Harmon replied that had not been addressed.

Mr. Snead said the Finance Department and Purchasing Division had strengthened the policy and procedures as a result of this audit. Beginning next month, there would be quarterly unannounced reviews in the offices to check on documentation, policy and procedures being followed, and responsible people would be held accountable.

Dr. Cutler asked if pay grade determines who gets a purchasing card, and Mr. Hall explained that it was based upon need, such as a Public Works employee needing to buy parts for immediate use. Mr. Harmon explained that there were about 330 cards being used, with three being used at the schools on a trial basis. Ms. McDaniel asked about the maximum amounts set for usage, and Mr. Harmon explained that it was \$2500 per transaction and \$15,000 per month, which could be changed based upon specific, justifiable needs. Mr. Lea commented that there was a similar program at the Department of Corrections, which worked very well, but did require monitoring.

Dr. Cutler asked if there were any more comments or questions on the Purchasing Cards audit. There being none, he asked Mr. Harmon to address the committee regarding the Southeast by Design audit.

Mr. Harmon stated that site visits had been conducted with the Roanoke Redevelopment and Housing Authority (RRHA) and the Blue Ridge Housing Development Corporation (BRHDC) as well as with Management and Budget. The program was found to be administered well, documents were in place, expenses supported, and there were no substantial concerns.

Dr. Cutler asked if the Southeast by Design program had a lifespan, whereby Mr. Snead replied he recalled it as being between 2.4 and 3 years. Mr. Baratta explained that contracts with both RRHA and BRHDC would expire on December 31 with a 30-day grace period. He did not know if all work would be done by the deadline. The funds were committed, six houses had been built, and two were under construction. Dr. Cutler shared that while attending the Virginia Municipal League conference, he, Mr. Dowe and Mr. Snead accepted an award on behalf of the City of Roanoke for the Southeast by Design program. Mr. Snead added that this was one of seven statewide awards, and the city received the award in the category of local government with a population greater than 90,000.

Dr. Cutler asked if there were another project that CDBG funds would be used for. Mr. Baratta replied that Project GOLD – Gainsboro Opportunities Leaveraging Development – would be the next project. Asked what he had learned through Southeast by Design, Mr. Baratta answered he had learned the importance of strong involvement of neighborhood groups.

3. UNFINISHED BUSINESS:

There was no unfinished business to come before the committee.

4. NEW BUSINESS:

There was no new business to come before the committee.

5. OTHER BUSINESS:

A. Audit of Public Accounts Letter

Dr. Cutler read from a letter addressed to the City Treasurer from the Auditor of Public Accounts (APA) in Richmond, VA, stating the APA had reviewed the Commonwealth collections and remittances of the Treasurer and other constitutional officers of the City of Roanoke for the year ended June 30, 2004. The APA found the Treasurer and other constitutional officers complied, in all material respects, with state laws, regulations and other procedures relating to the receipt, disbursement and custody of state funds. Dr. Cutler congratulated City Treasurer, Evelyn Powers, on the receipt of this letter.

B. Auditor Selection Committee

Dr. Cutler recognized Mr. Harmon for comments on the auditor selection committee. Mr. Harmon explained the city was coming to the end of its four-year contract with KPMG, the company which does the annual audit for the city. This contract also includes the schools, GRTC, and the pension/retirement plan. The selection committee typically is made up of representatives from Finance, Retirement, GRTC, Schools, the City Manager's Office, Management & Budget, and the Roanoke City Audit Committee. Meetings will involve organizing and preparing the RFP, reviewing the proposals, and conducting interviews. The interview process usually takes one full day. Dr. Cutler volunteered to represent the Audit Committee on this selection committee. Mr. Harmon said the first meeting would be in late October or the first of November, and he would distribute a copy of the last RFP for each member to review.

Other Discussion:

Dr. Cutler asked Mr. Harmon about plans for monitoring assets valued under \$5,000. Mr. Harmon replied that he was working with Finance to initiate a project to standardize monitoring assets valued at less than \$5,000.

Dr. Cutler asked Mr. Harmon to explain about the conversations taking place regarding consolidation of the city and schools Information Technology function. Mr. Harmon explained that Kathy Stockburger, Chair of the Roanoke City School Board and Mayor Harris had discussed the need to look into this matter. Mr. Harmon also said the City Manager, School Superintendent, the heads of both (IT) departments, and he had met and were discussing this possibility.

Mr. Fitzpatrick also mentioned that the consolidation of central purchasing between the schools and the city could save a great deal of money.

Mr. Fitzpatrick further explained that opening the school libraries to the public could be a benefit in that the school libraries were often better than the branch libraries. Mr. Harmon replied that security could be a barrier to that concept.

Ms. Russell explained that Roanoke County was also involved in the library study and would be contributing to its cost if the Board of Supervisors supports it.

Dr. Cutler asked Mr. Harmon to mention the items that would be included in the next Audit Committee meeting. Mr. Harmon said the December Audit Committee meeting, which will be held on the third Monday in that month, would be a very busy one. It will include audits on Findings Follow-Up, CAD, Police Property Room, Police Fees annual audit, Sheriff Canteen & Inmate Funds

annual audit, Commissioner of Revenue, and possible the HR survey. Also included will be the KPMG annual audit report, and the CAFR for the city will be ready. Dr. Cutler asked if operating units use Municipal Auditing as a resource, and Mr. Harmon replied that they do. Auditing has a category for management consulting and assists departments such as the Department of Technology in its implementation of the Advantage upgrade.

6. ADJOURNMENT:

There being no further business, the meeting was adjourned at 11:55 a.m.

A handwritten signature in dark ink, appearing to read "M. Rupert Cutler", with a long horizontal stroke extending to the right.

M. Rupert Cutler, Chair